

THE HONORABLE TIMOTHY W. DORE

Hearing Date: June 26, 2015

Hearing Time: 9:30 am

Response Date: June 19, 2015

Hearing Location: Seattle

Chapter 11

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re

RECOVERY CENTERS OF KING COUNTY,

Debtor-in-Possession.

Case No. 15-13060

MOTION TO APPROVE SALE OF
REAL PROPERTY

COMES NOW Recovery Centers of King County, the Debtor-in-Possession herein, by and through its attorneys of record, Wells and Jarvis, P.S., and hereby moves the Court for entry of an order authorizing it to sell real property located at 464 12th Avenue, Seattle, WA 98122 to Low Income Housing Institute ("the Buyer").

The 464 12th Avenue, Seattle, WA property is one of three real properties owned by the Debtor. The others properties are located at 505 Washington Ave. So, Kent, WA 98032 and 1701 18th Ave So., Seattle, WA 98144.

The total proposed sale price is \$4.1 million. The terms of the proposed sale of real property are set forth on the purchase and sale agreement attached as **Exhibit A** hereto. A legal description of the real estate can be found in Exhibit A to the purchase and sale agreement.

MOTION TO APPROVE SALE OF PROPERTY - 1

WELLS AND JARVIS, P.S.

502 Logan Building

500 Union Street

Seattle, WA 98101-2332

206-624-0088 Fax 206-624-0086

1 As set forth on the accompanying declaration of Carole Hayes, the proposed Buyer is
2 not an insider of the Debtor or otherwise affiliated with the Debtor. The real estate agent for the
3 Debtor, Allan Friedman, shall be employed through a separate application.

4 Debtor seeks an order which will authorize the sale of Debtor's real estate free and clear
5 of liens, claims and encumbrances pursuant to the purchase and sale agreement attached as
6 **Exhibit A.** Section 363(b) of the Bankruptcy Code authorizes a debtor to sell its assets outside
7 of the ordinary course of business where the Debtor has shown (1) that sound business reason
8 exists for the proposed transaction; (2) the sale has been proposed in good faith; (3) the sale
9 price is fair and reasonable; and (4) that accurate and reasonable notice has been provided for
10 the transaction. All four factors are present here.

12 Sale of the property for \$4,100,000 is reasonable and appropriate. The sale will result in
13 a significant payment toward the Bank of America loan in the approximate amount owing of
14 \$4,737,000. The Debtor has two other real estate parcels. The property located at 1701 18th Ave
15 So, Seattle, WA has been valued by the Debtor at \$3,857,000. Debtor's other property at 505
16 Washington Ave So, Kent, WA has been valued by the Debtor at \$1,933,600. These values
17 appear on Debtor's Schedule A.

19 Debtor has acted in good faith in soliciting offers and negotiating an arms-length
20 purchase and sale agreement with a non-insider. All of the terms of the proposed sale are
21 disclosed on the attached purchase and sale agreement. As set forth on the accompanying
22 declaration of Debtor's realtor, Allan Friedman, this sale represents fair market value for
23 Debtor's real estate at 464 12th Avenue Seattle, WA 98122. By bringing the present motion,
24 Debtor is ensuring that all parties have adequate notice of the proposed sale.
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1 Debtor seeks a sale free and clear of liens under Section 363(f) of the Bankruptcy Code.
2 Bank of America's lien of \$4,735,436 exceeds the proposed sale price on the real property at
3 464 12th Ave, Seattle, WA, but its first deed of trust is also secured by the remaining two
4 properties. Therefore, there is little to no likelihood that Bank of America will not be paid in
5 full. Debtor is currently marketing these other two properties and will seek to sell both
6 properties prior to the end of 2015.
7

8 Debtor has approximately \$149,000 on hand currently and has an outstanding account
9 receivable of \$82,000, from which Debtor fully expects payment. Depending upon how quickly
10 the other properties sell, Debtor may request from Bank of America prior to the hearing on the
11 proposed sale, a carve-out from Bank of America's security interest of up to \$200,000 to insure
12 sufficient funds for debtor to administratively complete a proper and orderly Chapter 11
13 liquidation. Any funds which the court may carve out from the security interest of Bank of
14 America will be subject to a separate cash collateral order governing use of any such funds.
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16 The proposed sale will also be pursuant to Debtor's plan of reorganization, which
17 Debtor will be filing and seeking confirmation of. It is Debtor's intent that the proposed sale be
18 closed after confirmation of Debtor's plan, such that Debtor may take advantage of the special
19 tax provisions of 11 U.S.C. § 1146(a).
20

21 Any party who wishes to submit a competing bid for the court's consideration should do
22 so not later than the response date of June 19, 2015. Any submittals should be sent by mail,
23 email or fax to Wells and Jarvis, P.S. 500 Union St, Ste 502, Seattle, WA 98101, Fx 206-624-
24 0086 or paralegal@wellsandjarvis.com.
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Wherefore, Debtor respectfully requests that the Court enter the attached proposed order approving the sale of Debtor's property at 464 12th Avenue, Seattle, WA for \$4.1 million to the Low Income Housing Institute.

Dated this 28th day of May, 2015.

/s/ Jeffrey B. Wells
By: Jeffrey B. Wells, WSBA #6317
Attorneys for Debtor